

Message Text

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ACTION EB-07

INFO OCT-01 ISO-00 AF-06 ARA-06 EA-07 EUR-12 NEA-10 IO-11

FEA-01 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00 FRB-03

H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01

AID-05 CIEP-01 SS-15 STR-04 ITC-01 TRSE-00 USIA-06

PRS-01 SP-02 OMB-01 XMB-02 /135 W

----- 123608

R 250730Z FEB 76

FM USMISSION GENEVA

TO SECSTATE WASHDC 8321

INFO AMEMBASSY BRASILIA

AMEMBASSY OTTAWA

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: GATT, ETRD, MTN

SUBJECT: GATT - GROUP OF 18 - PRELIMINARY DISCUSSION OF
BRAZILIAN PROPOSAL AND OF GATT BALANCE OF PAYMENTS
PROCEDURES

REF: STATE 036614, MTN GENEVA 1088, GENEVA 1094

SUMMARY: AMBASSADOR YEUTTER, AMBASSADOR WALKER, DEPUTY
ASSISTANT SECRETARY GLITMAN AND EDMIN MET WITH AMBASSADOR
MACIEL (BRAZIL), AMBASSADOR MARTINEZ (ARGENTINA) AND WITH EC,
JAPANESE AND CANADIAN G-18 DELEGATES FEBRUARY 23, TO DISCUSS G-18
HANDLING OF BRAZILIAN PROPOSAL AND US BALANCE OF PAYMENTS PAPER.
DISCUSSION INDICATED BRAZIL WILL INSIST ON ESTABLISHMENT OF
TNC SUB-GROUP TO DEAL WITH REFORM ISSUES AND UNWILLINGNESS TO
HAVE QUESTION SHUNTED TO G-18. OTHER DCS SEEM WILLING GO

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ALONG WITH BRAZILIAN DESIRE. DISCUSSIONS ALSO SHOWED LITTLE
INCLINATION ON PART OF OTHER MAJOR GATT COUNTRIES TO MAKE

REAL EFFORT TO IMPROVE GATT BOP PROCEDURES. END SUMMARY.

1. YEUTTER AND PARTY FIRST CALLED ON BRAZILIAN AMB. MACIEL TO DESCRIBE OUR CONCERNS ABOUT SPECIAL TNC SUB-GROUP TO DEAL WITH REFORM ISSUES AND EXPRESS VIEW G-18 MIGHT BE SATISFACTORY FORUM FROM BRAZILIAN VIEWPOINT TO DISCUSS THEIR PROPOSAL. YEUTTER INDICATED OUR CONCERN PARTLY RELATED TO UNCERTAIN NATURE OF BRAZILIAN PROPOSAL AND INDICATED IT WOULD BE VERY USEFUL TO HAVE PAPER DESCRIBING IT. HE ALSO POINTED OUT WE BELIEVE ESTABLISHMENT SPECIAL TNC SUB-GROUP DEAL WITH THIS QUESTION WOULD GET MTN INVOLVED IN BROAD ISSUES EXTENDING WELL BEYOND THOSE WE HAD CONTEMPLATED FOR MTN AND WHICH WOULD REQUIRE MORE TIME THAN WOULD BE AVAILABLE IN MTN. HE ALSO NOTED THAT SEPARATE GROUP, IF IT TOOK ON FORM OF ANOTHER GROUP AIMED PRIMARILY AT HELPING LDCS, COULD REDUCE CHANCES FOR EFFECTIVE ACTION ASSISTING LDCS IN OTHER MTN GROUPS. HE ALSO EXPRESSED FEAR THAT IF GROUP WERE TO HAVE SUPERVISORY ROLE IT COULD COMPLICATE MTN DECISION-MAKING PROCESS AND POSSIBLY UNDERMINE SUCCESSFUL PURSUIT OF NEGOTIATIONS.

2. MACIEL RESPONDED THAT HE HAD COMMUNICATED US VIEWS TO BRASILIA AFTER US DEMARCHE REPORTED MTN GENEVA 1088 AND THAT REACTION FROM CAPITAL WAS THAT BRAZIL CONTINUED CONSIDER MTN REFORM GROUP NECESSARY AND THAT G-18 WOULD NOT BE SATISFACTORY FORUM DEAL WITH THIS ISSUE. HE NOTED THAT TOKYO DECLARATION HAD MADE GATT REFORM PART OF MTN AND THAT ACCORDINGLY, MTN GROUP APPROPRIATE, ON OTHER HAND, G-18 WAS SUPPOSED TO BE PURELY CONSULTATIVE GROUP. HE WAS AT PAINS, HOWEVER, TO GIVE ASSURANCES CONCERNING TERMS OF REFERENCE AND TIMING OF PROPOSED NEW MTN GROUP. HE SAID IT WOULD BE ON PAR WITH OTHER TNC SUB-GROUPS AND WOULD NOT HAVE SUPERVISORY ROLE. ITS FUNCTION WOULD BE TO CONSIDER ALL REFORM ISSUES NOT BEING DEALT WITH IN OTHER GROUPS. THIS WOULD COVER NOT ONLY LDC DESIDERATA BUT ALSO ANY PROPOSALS DEVELOPED COUNTRIES WISHED TO TABLE. IT WOULD ALSO ATTEMPT TO INSURE CERTAIN CONSISTENCY HARMONY IN REFORM PROPOSALS BEING WORKED OUT IN OTHER TNC SUB-GROUPS, BUT, OF COURSE, WITHOUT TRYING TO REWRITE SUBSTANTIVE DECISIONS BEING REACHED THERE. CONCERNING TIMING, HE SAID GROUP WOULD BE SET UP NO SOONER THAN SUMMER LIMITED OFFICIAL USE
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TNC AND PROBABLY WOULD NOT BEGIN WORK UNTIL FALL. REGARDING BRAZILIAN PROPOSAL, HE INDICATED BRAZIL WOULD BE WILLING TO TABLE A "CONCEPTS PAPER" DESCRIBING THEIR VIEWS.

3. YEUTTER EXPRESSED APPRECIATION FULLER EXPLANATION BRAZILIAN PROPOSAL AND BRAZIL'S OFFER TO TABLE A PAPER DESCRIBING THEIR VIEWS. HE INDICATED MACIEL'S EXPOSITION HAD RELIEVED A NUMBER OF OUR CONCERNS.

4. IN AN INTERESTING ASIDE DURING DISCUSSION, MACIEL INDICATED

THAT LDC CONCERNS FOR GATT IMPORVEMENT MIGHT BEST BE MET BY DROPPING PART IV FROM GATT AND MAKING APPROPRIATE MODIFICATIONS IN OTHER ARTICLES.

5. BALANCE OF PAYMENTS QUESTION, WHICH WAS TOUCHED ON ONLY BRIEFLY WITH MACIEL, WAS MAJOR SUBJECT OF DISCUSSION WITH ARGENTINE AMBASSADOR MARTINEZ. MARTINEZ WAS VERY NEGATIVE ABOUT DEALING WITH BALANCE OF PAYMENTS PROCEDURES AS SUCH, ARGUING THAT THESE COULD BE CONSIDERED ONLY IN CONTEXT OVERALL WORLD TRADING SITUATION, INCLUDING EXAMINATION OF ACTIONS AND OBLIGATIONS OF SURPLUS COUNTRIES. HE IMPLIED THAT PENDING EXAMINATION AND RESOLUTION OF THESE BROADER ISSUES, IT WAS UNJUST TO EXPECT COUNTRIES TAKING BOP ACTION TO BE OBLIGED TO CONSULT. YEUTTER RESPONDED THAT ALTHOUGH THESE OTHER CONSIDERATIONS WERE, OF COURSE, IMPORTANT, IT WAS ALSO NECESSARY FOR ALL OF US TO BE PREPARED TO NOTIFY AND CONSULT ON ANY TRADE MEASURES WE TAKING. CONCERNING FUTURE G-18 WORK PROGRAM, MARTINEZ SUGGESTED DESIRABILITY ESTABLISHING GROUP OF WISEMEN TO CONSIDER GATT EXPERIENCE OVER THE YEARS AND IDENTIFY MAJOR PROBLEMS GATT HAD NOT BEEN ABLE TO DEAL WITH. HE MENTIONED IN PARTICULAR EC VARIABLE LEVIES AND SPECIAL PREFERENCES. GROUP WOULD ALSO BE CHARGED WITH IDENTIFYING POSSIBLE SOLUTIONS. CONCERNING BRAZILIAN PROPOSAL, HE CONSIDERED THIS COULD BE FED INTO THIS EXERCISE AT SOME LATER UNSPECIFIED STAGE.

6. IN SEPARATE MEETING WITH EC (LUYTEN), JAPAN (MOTONO, AMB. TSURUMI, AND OTHERS), CANADA (JOYCE, AND AMB. BARTON), YEUTTER EXPLAINED US VIEWS CONCERNING GATT BOP PROCEDURES AND EXPRESSED VIEW THIS COULD BE USEFUL AREA FOR G-18 WORK. US HAD PREPARED AND WAS TABLING PAPER ON SUBJECT TO ADVANCE THE WORK. HE NOTED G-18 SHOULD BE CHARGED WITH CERTAIN SPECIFIC LIMITED OFFICIAL USE
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TASKS WHERE CONCRETE ACCOMPLISHMENTS POSSIBLE AND SHOULD NOT BE ALLOWED TO BECOME FORUM FOR GENERAL DISCUSSION. EC AND JAPAN BOTH SEEMED TO CONSIDER PRESENT GATT SYSTEM FOR BALANCE OF PAYMENTS CONSULTATIONS AS ADEQUATE. LUYTEN EXPRESSED VIEW THAT RATHER THAN LOOSENING PROCEDURES SO AS TO SANCTION USE OF SURCHARGES AND IMPORT DEPOSITS, IT MIGHT BE BETTER TO TIGHTEN SYSTEM BY HAVING ALL DEVELOPED COUNTRIES FORMALLY RENOUNCE POSSIBLE RECOURSE TO GATT ARTICLE XII. CANADA EXPRESSED AGREEMENT WITH OBJECTIVE OF IMPORVING PRESENT PROCEDURES BUT WAS UNCERTAIN HOW THIS MIGHT BEST BE DONE. YEUTTER ALSO EXPLAINED US CONCERNS ABOUT BRAZILIAN PROPOSAL AND REPORTED ON CONVERSATION WITH MACIEL. OTHER PARTICIPANTS SEEMED PREPARED GO ALONG WITH CREATION OF MTN REFORM GROUP IN THE SUMMER WITH UNDERSTANDING IT WOULD NOT BEGIN WORK UNTIL FALL. THEY SEEMED CONSIDER THERE WERE SIGNIFICANT DIFFERENCES AMONG LDCS ON HOW PLAY THIS MATTER AND THAT SUBJECT COULD BE KEPT UNDER CONTROL SO AS NOT DISRUPT MTN. BRUNGART

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEETING AGENDA, BALANCE OF PAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 25 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976GENEVA01341
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760071-0608
From: GENEVA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760216/aaaaanad.tel
Line Count: 168
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 STATE 36614, 76 MTN GENEVA 1088, 76 GENEVA 1094
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 30 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <30 MAR 2004 by ElyME>; APPROVED <31 MAR 2004 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GATT - GROUP OF 18 - PRELIMINARY DISCUSSION OF BRAZILIAN PROPOSAL AND OF GATT BALANCE OF PAYMENTS
TAGS: ETRD, GATT, MTN, G-18
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006